

Message Text

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ACTION EUR-12

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CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00
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R 281710Z JAN 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC 2448
TREASURY DEPT WASHDC

UNCLAS ROME 1481

PASS FRB

E.O. 11652: N/A
TAGS: EFIN, IT
SUBJECT: TREASURY BILL SALES ON RISING PUBLIC DEMAND

1. AT JANUARY 25 TREASURY BILL AUCTION BANKS, OTHER FINANCIAL INSTITUTIONS AND PUBLIC MADE NET PURCHASES IN AMOUNT OF 522 BILLION LIRE. OF THE 4,000 BILLION LIRE OFFERED AT AUCTION, BANKS AND OTHER PRIVATE INVESTORS PURCHASED 3,055 BILLION LIRE, WHILE 2,533 BILLION LIRE OF BILLS IN THEIR PORTFOLIOS WERE REACHING MATURITY. BANK OF ITALY PURCHASED REMAINING 945 BILLION OFFERED PLUS 1,800 BILLION LIRE OF BILLS DIRECTLY FROM TREASURY FOR A TOTAL OF 2,745 BILLION LIRE, WHILE 3,267 BILLION WERE MATURING ON ITS BOOKS. AUCTION RESULTED, THEREFORE, IN REPLACEMENT OF 5,800 BILLION LIRE OF BILLS MATURING AND ABSORPTION OF MONETARY BASE IN FORM OF EXCESS BANK RESERVES IN AMOUNT OF ABOUT 500 BILLION LIRE.

2. RESULTS OF AUCTION BY MATURITY OF BILLS ARE AS FOLLOWS: OF 2,000 BILLION LIRE AT 3 MONTHS OFFERED, BANKS PURCHASED 1,800 BILLION; OF 1,500 BILLION LIRE AT 6 MONTHS
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OFFERED, BANKS PURCHASED 1,036 BILLION; OF 500 BILLION LIRE AT 12 MONTHS BILLS OFFERED, BANKS PURCHASED 219 BILLION.

3. YIELD (COMPOUND INTEREST RATE BASED ON ACTUAL SALES PRICE) ON 3 MONTH BILLS WAS SLIGHTLY LOWER THAN IN PRECEDING AUCTION IN DECEMBER, 17.00 COMPARED TO 17.74, BUT ON 6 MONTH BILLS YIELD ROSE SLIGHTLY TO 17.64 COMPARED

TO 17.38 IN DECEMBER. YIELD ON 12 MONTH BILLS CAME OUT
UNCHANGED AT 16.69.

4. IN PRESENT SITUATION OF CEILINGS ON BANK CREDIT TO
FIRMS AND MAPLE LIQUIDITY, BANKS FIND IT PROFITABLE TO
CONVERT EXCESS RESERVES INTO TREASURY BILLS. INTEREST RATE ON
ALTERNATIVE INVESTMENT IN 3 MONTH INTERBANK DEPOSITS IS
CURRENTLY ABOUT 15 1/2 0/0 AND AVERAGE LONG-TERM GOVERNMENT
BOND YIELD IS ABOUT 14 0/0. SHOULD THE CREDIT EXPANSION CEILINGS
BE ALLOWED TO EXPIRE AT THE END OF MARCH, HOWEVER, BANKS WOULD
BE IN A POSITION TO REBUILD LIQUIDITY AND MEET EXCESS LOAN
DEMAND (IF ANY) BY SELLING TREASURY BILLS OR SIMPLY NOT
RENEWING THEM AS THEY MATURE.BEAUDRY

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Message Attributes

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Sent Date: 28-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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